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# KEY TERMS

## BUDGET

Allocating income to various categories such as savings and insurance to cover today's expenses, plan for future goals, and minimize risks.

## DISABILITY

A risk. Social Security law defines it as a medically documented illness or injury which prevents substantial work for 12 calendar months or is expected to result in death.

## DEATH

Social Security pays survivors monthly benefits.

## EARNINGS RECORD

The record Social Security keeps of the wages and self-employment earnings on which Social Security tax was paid. It is used to determine insured status and benefit amounts.

## GOALS

What we need or want in the future, such as a car, college education, or retirement benefits.

## INSURED STATUS

A Social Security term meaning having worked in covered employment long enough to be eligible for retirement, survivors, or disability benefits. Needed before any benefits can be paid.

## MEDICARE

Basic health insurance for workers 65 or older, or receiving disability benefits for 24 months or having severe kidney disease.

## PENSION

Payments from an employer or insurance company based on work for one employer.

## REPLACEMENT RATES

The percentage of earnings that benefits replace. In general benefits replace about 42 percent of the earnings at the average earnings level, and 26 percent for workers paying on maximum earnings subject to the Social Security tax.

## RETIREMENT

Social Security benefits are payable as early as 62 with a reduction. The retirement age for full benefits is gradually increasing from 65 to 67.

## RISKS

Events which threaten our ability to work for income, our savings, etc. Such as becoming disabled, large medical expenses.

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# WHAT IS FINANCIAL PLANNING?

A method people use to:

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Meet financial goals

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Minimize financial risks

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# SOCIAL SECURITY AND FINANCIAL PLANNING

In financial planning, Social Security retirement, survivors, and disability benefits:

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Minimize risk of financial disaster at disability, death.

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Help meet the goal of financial security in retirement.

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# WHAT YOU NEED TO KNOW ABOUT SOCIAL SECURITY FOR FINANCIAL PLANNING

How much in Social Security benefits you can expect at retirement, or disability, or for your survivors should you die.

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How to get an estimate of your benefits.

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How other income or pensions will affect your Social Security benefits.

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How old you have to be to get benefits.

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How much work under Social Security you need for benefits.

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When and how to contact Social Security.

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## WHEN YOU CAN GET BENEFITS

FULL RETIREMENT benefits are payable at age 65 (67 by 2027)

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REDUCED RETIREMENT BENEFITS are payable at age 62; reduction increases from the present 20 percent to 30 percent by 2022.

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INCREASED RETIREMENT BENEFITS for people who delay retirement. Increases gradually to eight percent a year by 2009.

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DISABILITY BENEFITS are paid on your work record at any age under 65. The amount of work needed ranges from one and one-half years for worker under 24 to at least five years out of the last 10 for worker over 30.

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SURVIVORS BENEFITS are paid on your work record at any age. The amount of work needed increases from one and one-half years for workers under 24 to no more than 10 for workers over 43.

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## HOW MUCH YOU CAN EXPECT FROM SOCIAL SECURITY

Social Security benefits replace a part of your earnings, not all of them. How much depends on your average annual lifetime earnings.

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Low earnings	60 percent
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Average earnings	42 percent
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High earnings	26 percent
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## FINDING OUT WHAT YOU'VE GOT COMING FROM SOCIAL SECURITY

Request a *Personal Earnings and Benefit  
Estimate Statement* from Social Security.  
Call and ask for Form SSA-7004.

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Statement will show:

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Total wages credited to your record  
annually.

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Number of work credits earned.

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Estimated monthly benefits.

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Estimate of Social Security taxes paid.